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SUBJECT: CAMEROON: AGOA ELIGIBILITY REVIEW

REF: STATE 85086

11. (U) Summary: Cameroon, with a GDP of about \$20.6 billion, is the largest economy in the six-nation Central African Economic and Monetary Community (CEMAC). It is enjoying its thirteenth consecutive year of GDP growth, currently projected at 4.6 percent. It has a population of 18.5 million, and a GDP/capita of \$1,100. Cameroon has enjoyed relative political stability compared to other countries in the region, but socio-economic frustrations ignited social unrest in 31 municipalities during February, raising concerns about long-term stability. Political power, however, remains concentrated in the presidency. Cameroon's diversified economy includes oil and gas, timber, aluminum, and agriculture (41 percent of GDP).

12. (U) Cameroon meets most elements of an open, liberal investment climate, though corruption and enforcement of regulations remain problematic. Cameroon achieved the Heavily Indebted Poor Countries (HIPC) Initiative completion point in May 2006. The government continues to reduce its ownership of economic assets through privatization programs and is taking positive steps to address legal, judicial, and governance problems. In June 2001, the World Trade Organization reviewed Cameroon's trade policy and judged that the Government of Cameroon (GRC) was making appropriate progress in opening its market. Cameroon has an AGOA committee, although it has not been active. Prime Minister Ephraim Inoni led a delegation of ministers to the 2008 AGOA Forum in Washington, demonstrating government interest in taking greater advantage of AGOA.

13. (U) Comments on Eligibility Requirements

1I. Market-based Economy

1A. Major Strengths Identified

-- The GRC has undertaken reforms aimed at liberalizing the financial sector, strengthening fiscal management, and establishing stronger regulatory agencies, specifically for telecommunications. The banking sector has been restructured, and all banks are solvent and supervised by an independent banking authority, the Central African Banking Commission (COBAC).

-- The government is revising its commercial laws to remove barriers to trade and investment and to attract more foreign investment. In April 2008, reacting to rising prices, the government reduced import duties for a number of staple food items. The investment code has been made identical for foreign and domestic investors.

-- Cameroon's investment code provides fundamental guarantees to investors, including property ownership, ability to repatriate capital and income, compensation in case of expropriation, freedom of movement within Cameroon, and free egress for personnel.

-- A Bilateral Investment Treaty between Cameroon and the United States was ratified and entered into force in 1989.

-- Cameroon was granted debt service relief in 2000 by the United States. Cameroon achieved the Heavily Indebted Poor Countries (HIPC) Initiative completion point in May 2006. In June 2006, as a result of a bilateral agreement and additional bilateral assistance, fourteen Paris Club creditor nations reduced Cameroon's debt to them from \$3.5 billion to \$27 million. The total package of debt relief will reduce Cameroon's future debt service payments by about \$4.9 billion in nominal terms.

-- In recent years Cameroon has adopted a number of sectoral codes with substantial advantages for investors. They include the Forestry Code, the Mining Code, the Gas Code and the Petroleum Code.

-- The government made progress on its privatization goals in 2007/2008, including completion of the privatization of the water utility. After years of state control, the GRC privatized major parastatals including tea, rubber, shipping, sugar, cocoa, rail and mobile phone companies. The government also has developed a strategy for strengthening the weak transport sector by liberalizing maritime transport, improving maritime security, and establishing an autonomous port system.

-- Cameroon has a copyright law that incorporates many of the provisions of the Internet Copyright Treaty and the World Intellectual Property Organization Performances and Programs Treaty. Cameroon is the host for the headquarters of the 14-nation West African Intellectual Property Organization and Cameroon is a signatory to the World Trade Organization's TRIPS agreement.

-- Despite some improvements in customs clearance procedures, port

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users report increasing delays in the port. The U.S. Customs Service has provided technical assistance to Cameroon needed to improve port operations.

-- In 2006, Cameroon adopted simplified bureaucratic and legal procedures regarding the creation of new small to medium sized companies in Cameroon.

-- At least two banks operating in Cameroon have a master guarantee agreement with the U.S. Export Import Bank to provide loans to local importers of U.S. products. Multinational insurance companies are securing approval from the government and the regional insurance authority, the Inter African Conference on Insurance Markets (CIMA) to guarantee the risk associated with African transactions while importing U.S. goods through Ex-Im Bank's financing.

B. Major Issues/Problems

-- Firms complain about onerous and unpredictable application of the tax law and harsh government actions, such as blocking company bank accounts, to compel companies to agree to compromises on tax assessments. On paper, commercial law is adequate; however, investors find it difficult to enforce contracts because the court system remains slow and corrupt.

-- Cameroon's business climate remains problematic. The World Bank's annual Doing Business Report indicated that Cameroon regressed between 2007 and 2008 in seven out of 10 areas.

-- Although strong laws are on the books, enforcement of intellectual property rights laws is weak.

-- Although the state-owned Camair is under liquidation, the privatization of the airline and the national telecommunications company has been stalled.

4. (U) Political Reforms/Rule of Law/ Anti-Corruption

I. Major Strengths Identified

-- There has been an improvement in the country's political evolution over the past 15 years. A multiparty political system has

been in place since 1990. Cameroon has some 200 political parties, including five represented in Parliament.

-- The press and private citizens are able to openly criticize the government (including for corruption and mismanagement), although some are subjected to government reprisal.

-- The GRC has put in place mechanisms for systematic payment of state contracts, reducing room for corruption. Cameroon ratified the UN Convention Against Corruption in February 2006, but effective implementation is still incomplete.

-- Free legal aid centers, staffed by members of the Cameroon Bar Association, promote awareness of civil and human rights as well as judicial processes.

-- Cameroon continues to work with the IMF, the European Union and other partners in an effort to improve transparency, planning and effectiveness of government revenues and expenditures.

-- A new, unified Criminal Procedure code took effect in 2007, and is generally considered to improve defendants' rights and, by expanding provisions for bail while awaiting trial, is anticipated to help reduce prison over-crowding.

-- The National Anti-Corruption Commission (CONAC) has stepped up its activities to raise awareness about corruption.

-- Judicial proceedings against corrupt officials accelerated through 2008, including the convictions of former parastatal heads and the detention of former ministers. Disciplinary proceedings against working-level officials in the police and various ministries also increased.

II. Major Issues/Problems Identified

-- The GRC failed to comply with the December 2006 law calling for the establishment of ELECAM, a new, ostensibly independent elections agency by June 2008. Instead, the government extended the timeline until January 2009.

-- Dominance of the political process by the President, his party, and his Bulu ethnic group; electoral intimidation, manipulation, and fraud continue to severely limit citizens' right to change their government peacefully. In 2008, the President took advantage of his

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effectively unchecked control over all branches of government to amend the constitution to eliminate presidential term limits, without any meaningful public debate. Press organs that aired critical views of the proposed amendment were harassed at times, and three media organizations were shut down for four months.

-- National legislative and municipal elections in 2007 were widely criticized by domestic opposition parties and civil society groups. Election observers acknowledged some progress over previous elections, but noted that progress was less than had been expected and that the public remained largely disengaged from the political process, in large part due to high barriers to participation and widespread distrust of the integrity of the electoral process.

-- Impunity among the security forces remains a serious problem, although the government has made significant efforts to punish police officers involved in serious human rights violations or corrupt practices.

-- The government has used security forces to inhibit political activists from holding public meetings.

-- The judiciary remains corrupt, inefficient, and subject to political influence, although it is beginning to show growing independence and integrity in some respects. Officials in Cameroon's security services are often poorly trained, ineffective, and corrupt.

-- Prolonged pretrial detention, including incommunicado detention,

remains a problem.

-- Official harassment of journalists rose in 2008, especially in the context of the constitutional amendment, the social unrest in February, and aggressive coverage of corruption cases.

-- The use of libel laws-and the harsh handling of journalists accused of libel-has had a chilling impact on reporting of corruption and other abuses of public offices.

-- The Minister of Communication has made numerous public statements with the effect of chilling journalistic freedom. The licensing system for private media remains expensive and incomplete, leaving many outlets operating in an uncertain legal environment.

-- Despite some positive steps and public commitments on anti-corruption, governance in all sectors remained problematic, and corruption is endemic.

15. (U) Poverty Reduction

1. Major Strengths Identified

-- The Government's 2008 budget included substantial increases for priority social sectors like health, basic education, and public works.

-- The Government continues to fulfill poverty reduction commitments with the International Financial Institutions, and discussions are underway on a new plan for poverty reduction through enhanced economic growth.

-- The Government committed to providing free, universal access to anti-retroviral treatment and HIV/AIDS testing and counseling, though implementation remains problematic.

II. Major Issues/Problems Identified

-- Budgetary allocations and execution, especially for much-needed investments in priority social sectors, remains problematic.

-- The government has yet to release audits on public health spending, including for funds provided by the Global Fund for AIDS, Tuberculosis and Malaria, despite reports that the funds were subject to widespread corruption and embezzlement.

-- The government has significantly delayed the release of an updated census, complicating planning and development initiatives.

16. (U) Workers' Rights/Child Labor/Human Rights

1. Major Strengths Identified

-- The labor code recognizes workers' right to strike and workers exercised this right in practice.

-- Forced labor is prohibited under the Labor Code and the

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Constitution.

-- Cameroon has ratified ILO Conventions 182 on the worst forms of child labor and 138 on minimum age.

-- The GRC is cooperating with the ILO on an International Program for the Elimination of Child Labor (IPEC) inquiry on labor by children under 14.

-- Legislation on child trafficking and slavery has been ratified since 2005.

-- Although it is underfunded and frequently criticized, Cameroon's National Commission on Human Rights and Freedoms is independent and dedicated to exposing human rights abuses. The government has taken some steps to improve its human rights record by curtailing human

rights abuses and, in some cases, arresting those responsible, but harassment and crackdowns in the wake of the February unrest and against opponents of the constitutional amendment resulted in numerous human rights abuses. The Commission is finalizing a text book for use in all schools, to educate children on human rights.

-- The GRC has institutionalized the teaching of respect for human rights in its law enforcement institutions, graduating in 2005 its first class of police commissioners and officers specifically prepared to provide leadership in eliminating abusive and corrupt practices in law enforcement.

II. Major Issues/Problems Identified

-- The Government did not effectively enforce labor laws and many of the relevant agencies lacked the resources to do so.

-- The Government restricted workers' rights to form and join trade unions. The law does not permit the creation of a union that includes public and private sector workers or the creation of a union that includes different sectors.

-- The Government continued to infringe on worker rights and restricted the activities of independent labor organizations by withholding or indefinitely delaying registration of independent trade unions. The Government also continued to interfere, although in a limited manner, with trade union activities.

-- The law does not provide workers with the right to remove themselves from situations that endanger their well-being without jeopardizing their employment.

-- Child labor remains a problem. Children are exploited as workers in subsistence farms, agriculture, urban areas and in the informal sector. An increasing number of children are engaged in domestic work and involved in prostitution.

-- Forced or compulsory labor, including by children, is prohibited, but illegal, forced labor, including forced child labor, was a problem. There were reports of trafficking in persons, primarily children, for purposes of forced labor.

-- Prison conditions remain harsh and life-threatening.

-- Security forces limit freedom of movement and assembly, especially against political activists of the illegal separatist Southern Cameroon's National Council (SCNC).

-- Violence and discrimination against women and child abuse remained serious problems. Homosexual acts are illegal, and societal discrimination and harassment from law enforcement against homosexuals is a problem.

17. (U) International Terrorism/ U.S. National Security

1I. Major Strengths Identified

-- Cameroon is part of a sub-regional initiative to fight money laundering and illegal financing of terrorism. That initiative is managed by GABAC, a regional organization based in Bangui, Central African Republic, with branches in each of the sub-region's six central African countries. In September 2005, the National Financial Investigative Branch of GABAC became operational.

-- Cameroon's Financial Intelligence Unit, called the National Agency for Financial Investigations (or ANIF) is operational and collaborates closely with counterparts in the United States and third countries.

II. Major Issues/Problems Identified

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-- Enforcement of laws and regulations pertaining to financial transactions remains uneven, and much of the banking sector operates without effective supervision, despite the regulatory structures in

place.

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